

UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

File No.: PC36-0922

Date: April 20, 2023
Date Due: September 30, 2022
Date Filed: March 20, 2023¹

Name of Utility: City of Atka Cert. No. 291

| | |
|--|---|
| <input checked="" type="checkbox"/> Annual Update | <input type="checkbox"/> COPA Review |
| <input checked="" type="checkbox"/> Fuel Cost Update | <input type="checkbox"/> Non-Fuel Cost Change |
| <input type="checkbox"/> Base Rate Change | <input type="checkbox"/> kWh Sales Change |
| <input type="checkbox"/> Other _____ | |

STAFF RECOMMENDATIONS: Approval of updated **Permanent** PCE amount (see attached memo)

| PCE AMOUNT SUMMARY | Previously Approved | Staff Recommended |
|-------------------------------|---------------------|-------------------|
| PCE AMOUNTS (In Cents/kWh) | July 16, 2022 | |
| Residential | 22.61¢ | 33.07¢ |
| Community Facility | 22.61¢ | 33.07¢ |

Signed: Brenda Cox Brenda Cox Utility Financial Analyst
Commission decision re. This recommendation:

| | Date (if different from 4/20/23) | I Concur | I Do Not Concur | I Will Write A Dissenting Statement * |
|----------|-------------------------------------|-------------------|--------------------|---|
| Kurber | _____ | <u>Kurber</u> | _____ | _____ |
| Doyle | _____ | <u>BD</u> | _____ | _____ |
| Pickett | _____ | <u>emp</u> | _____ | _____ |
| Sullivan | _____ | <u>emp</u> For DS | _____ | _____ |
| Wilson | <u>4/21/23</u> | <u>JWW</u> | _____ | _____ |

¹ On April 16, 2020, Commissioner Pickett, sent a letter to Curtis Thayer, Executive, Director at the Alaska Energy Authority, advising the RCA would cease recommending suspension of utility's PCE disbursements, solely due to non-compliance with filing requirements. On September 15, 2022, Commissioner Kurber II sent a letter to Curtis Thayer, advising the RCA would begin recommending suspension of utilities effective December 14, 2022.

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

DATE: April 20, 2023

FROM: Brenda Cox
Utility Financial Analyst

RE: City of Atka
PC36-0922

Recommendations

1. Updated PCE amounts should be effective for billings rendered on or after April 21, 2023.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, rate changes, and fuel cost changes should be included in the By Direction Letter to the utility.

Background

On February 23, 2023, the City of Atka was recommended for suspension of its PCE disbursements.² On March 20, 2023, the City of Atka (ATKA) filed its 2022 Power Cost Equalization (PCE) annual report (annual report) and its PCE fuel report.³ Staff's contact for this filing was Ms. Jennifer Kost-Dirks, Co-Administrator and Ms. Connie Fredenberg, Consultant. ATKA filed several supplements.⁴ Staff used the Profit & Loss Detailed (P&L) filed on March 23, 2023⁵ for the review.

Summary

After Staff's proposed adjustments, ATKA's total costs per kiloWatt-hour (kWh) have increased by 11.01 cents (¢) from of 43.38¢/kWh to \$54.39/kWh (FY22). ATKA's reported fuel efficiency has decreased from 9.07 kWh/gallon (FY16) to 8.2 kWh/gallon (FY22).

² See letter to Alaska Energy Authority (AEA), dated February 23, 2023.

³ On April 10, 2023, Staff emailed AEA recommending ATKA be released from suspension.

⁴ See Supplements filed March 20, 2023, two filed on March 22, 2023 (TR2301201 – Transaction Report for Interest and TR2301210 Profit & Loss by Class), three filed on March 23, 2023 (TR2301326 – answer to Staff questions, TR2301227 Profit & Loss Detail, and TR2301210 Profit & Loss by Class), March 30, 2023, and March 31, 2023.

⁵ See TR2301227.

Reported line loss increased from 8.49% (FY16) to 14.28% (FY22). Staff's detailed analysis of this filing follows:

Analysis

Non-Fuel Costs

Total non-fuel costs reported increased \$69,712 from \$121,522 (FY16) to \$191,234 (FY22). Staff reviewed ATKA's non-fuel costs by category noting the following (See Schedule BKC-2):

Personnel Expenses increased \$8,992 from \$51,877 (FY16) to \$60,869 (FY22). Staff recommends no adjustments.

Operating Expenses increased \$29,671 from \$1,834 (FY16) to \$31,505 (FY22). Staff asked ATKA for copies of the following invoices:

Account 6700 – Maintenance/Repairs, 1/31/22, Craig Taylor Equipment, \$5,296.40
Account 7100 – Miscellaneous Exp., 6/31/21, August Bank Mastercard, \$3,352.27
Account 7100 – Miscellaneous Exp., 3/31/22, Bank Statement, \$4,451.02

Ms. Fredenberg provided a copy of the Craig Taylor Equipment invoice in the amount of \$5,271.40 and explained a late fee of \$25 had originally been included in the total reported by mistake.⁶ Staff recommends decreasing Operating Expenses by \$25.⁷

ATKA provided Mastercard statements for April 12, 2021 and April 12, 2022,⁸ however these are not what Staff requested. Staff contacted Ms. Kost-Dirks and she provided Mastercard statements with the utility costs highlighted these total \$3,031.⁹ See the following:

5/13/22 RWC International in the amount of \$1,895.12
3/13/22 RWC International in the amount of \$546.41
1/13/22 Advanced Diesel in the amount of \$589.52

Staff recommends decreasing Operating Expenses by \$12,896 (\$15,927 – 3,031).

Staff noted \$5,296 was reported twice on the Income Statement and only shows on the P&L once. On the Income Statement it is reported on page 4A under Operating Expenses "Other" and is also included in the \$9,610 reported in Generator Repairs/Maintenance.¹⁰ Staff recommends decreasing "Other" expenses by \$5,296.

⁶ See Supplement filed March 23, 2023 (TR2301326).

⁷ AS 42.45.130 (a) Cost Minimization.

⁸ See Supplement filed March 30, 2023.

⁹ See Supplement filed March 31, 2023.

¹⁰ The P&L detail shows the detail that makes up the \$9,610 and the \$5,296 is part of it.

Therefore, Staff recommends **Adjustment 1 (Appendix 2)** to decrease the Operating Expenses by \$18,217 (\$25 + \$12,896 + \$5,296).

General & Administrative Expense increased \$29,836 from \$17,181 (FY16) to \$47,017 (FY22). Staff noted \$20,803 reported under Outside Professional Services, which Staff verified as Consultant Fees for a Dam Inspection on the P&L under account 8010 - APICDA Community Dividend Expense. Staff contacted ATKA and asked if the Dam Inspection was grant funded. ATKA advised it was grant funded.¹¹ Staff recommends disallowing the \$20,803 because it was grant funded.

Staff also noted \$4,786 reported as Credit Card machine on page 4A of the Income Statement and was unable to verify it on the P&L. Staff recommends decreasing G&A by \$4,786.

Therefore, Staff recommends **Adjustment 2 (Appendix 2)** to decrease the General and Administrative Expenses by \$25,589 (\$20,803 + \$4,786).

Depreciation Expense decreased \$5,939 from \$34,895 (FY16) to \$28,956 (FY22). ATKA maintains its own depreciation schedule, which Staff reviewed and noted an error in the formula that totaled the Depreciation Expense. Staff recommends **Adjustment 3 (Appendix 2)** to increase the reported Depreciation Expense by \$308.

Interest Expense increased \$7,152 from \$15,735 (FY16) to \$22,887 (FY22). Staff noted on the P&L account 7171 Interest Expense totals \$27,681 however \$1,092 was reported as a late fee so once the late fee is removed the total would be \$26,589.¹² Staff recommends **Adjustment 4 (Appendix 2)** to increase reported Interest Expense of \$22,887 by \$3,702 to equal \$26,589.

Fuel Costs

On March 20, 2023, ATKA submitted its most recent fuel report which includes 11,007 gallons of fuel purchased during 2021 and 2022 with a weighted average price of fuel of \$5.1732/gallon. This data is included on **Appendix 2**.

Efficiency

ATKA's efficiency measurement of 9.07 does not meet the established minimum efficiency standard in 3 AAC 52.620(c)(2)(A) that requires a minimum efficiency standard of 8.5 kWhs generated per gallon of diesel fuel consumed for utilities that use 80 percent or less diesel generation and generate less than 100,000 kWhs annually using diesel fuel. 3 AAC 52.610(g)(1) states that total fuel cost is calculated by multiplying the price of fuel per gallon times the lesser of the actual number of gallons consumed or the number of

¹¹ See Supplement filed March 31, 2023.

¹² AS 42.45.130(a) Cost Minimization.

gallons that would have been consumed had the utility achieved line loss and efficiency standards. Staff recommends **Adjustment 5 (Appendix 2)** to reduce the 7,423 reported gallons consumed by 262 to equal 7,161 gallons, the number of gallons needed to achieve efficiency standards.

Line Loss

ATKA's reported line loss of 14.28% is higher than the 12% maximum allowed by 3 AAC 52.620(b). 3 AAC 52.610(j) states that fuel and nonfuel costs per kilowatt-hour are calculated by dividing total fuel and nonfuel costs by the greater of actual number of kilowatt-hours sold or the number of kilowatt-hours that would have been sold if the utility had achieved line loss standards. Staff recommends **Adjustment 6 (Appendix 2)** to increase ATKA's reported kWh sales of 336,480 by 10,066 to equal 346,546 kWhs to meet the line loss standard of 12%.

| | PC36-0916K | | PC36-0922 |
|--|--|--------------------|----------------------|
| | Prior Commission Approval | Utility Request | Staff Recommended |
| A. Total kWh Generated | 482,639 | 482,639 | 482,639 |
| B. Total kWh Sold (Appendix 2) | 396,226 | 336,480 | 346,546 |
| C. Total Non-Fuel Costs (Appendix 2) | 121,522 | 191,234 | 151,438 |
| D. Non-Fuel Cost/kWh (C / B) | \$0.3067 | \$0.5683 | \$0.4370 |
| E. Total Fuel Costs (Appendix 2) | 50,346 | 38,401 | 37,045 |
| F. Fuel Costs/kWh (E / B) | \$0.1271 | \$0.1141 | \$0.1069 |
| G. Eligible Costs/kWh (D + F) | \$0.4338 | \$0.6826 | \$0.5439 |
| H. Eligible Cost/kWh (G) less base rate in effect | \$0.2380 | \$0.4868 | \$0.3481 |
| I. Lesser of (H) or 80.42 cents/kWh | \$0.2380 | \$0.4868 | \$0.3481 |
| J. Average Class Rates | | | |
| Residential | \$0.5092 | \$0.4292 | \$0.4292 |
| Community Facility | \$0.5092 | \$0.4292 | \$0.4292 |
| | Class Power Cost Equalization Per KWh Payable | | |
| K. Lesser of: (I) x 95% or (J) | | | |
| Residential | \$0.2261 | \$0.4292 | \$0.3307 |
| Community Facility | \$0.2261 | \$0.4292 | \$0.3307 |
| L. Funding Level in Affect | 100% | 100% | 100% |
| Residential | \$0.2261 | \$0.4292 | \$0.3307 |
| Community Facility | \$0.2261 | \$0.4292 | \$0.3307 |

FOR TEST PERIOD ENDING JUNE 30, 2022

Annual Update and Fuel Cost Update

| | | | PC36-0916K | PC36-0922 | | |
|------------------------|---|-------------------|---|----------------|----------------------|----------------------|
| | | | Prior Commission Approval | Per Utility | Staff Adjustments | Staff Recommended |
| Non-Fuel Costs: | | | | | | |
| A. | Personnel Costs | | 51,877 | 60,869 | - | 60,869 |
| B. | Operating Expenses | | 1,834 | 31,505 | ADJ #1 (18,217) | 13,288 |
| C. | General and Administrative | | 17,181 | 47,017 | ADJ #2 (25,589) | 21,428 |
| D. | Depreciation | | 34,895 | 28,956 | ADJ #3 308 | 29,264 |
| E. | Interest Expense | | 15,735 | 22,887 | ADJ #4 3,702 | 26,589 |
| F. | Other (Describe) | | 0 | 0 | - | 0 |
| G. | Total Non-Fuel Costs | | 121,522 | 191,234 | (39,796) | 151,438 |
| Fuel Costs: | | | | | | |
| H. | Gallons Consumed for Electric Generation | | 10,533 | 7,423 | ADJ #5 (262) | 7,161 |
| I. | Price of Fuel:(per gal) Weighted Average | | \$4.7799 | \$5.1732 | | \$5.1732 |
| J. | Total Cost of Fuel | | 50,346 | 38,401 | | 37,045 |
| K. | Total kWh Generated | | 482,639 | 442,536 | | 442,536 |
| | Diesel Generated | | 95,505 | 60,836 | | 60,836 |
| | Hydro Generated | | 387,134 | 381,700 | ADJ #6 | 381,700 |
| L. | kWh Sales | | 396,226 | 336,480 | 10,066 | 346,546 |
| M. | kWh Station Service | | 45,421 | 42,864 | | 42,864 |
| M. | Efficiency | Standard ≥ 8.5 | 9.07 | 8.20 | 0.30 | 8.50 |
| O. | Line Loss & Station Service | ≤ 12% | 8.49% | 14.28% | -2.28% | 12.00% |
| | | | (kWh Generated - (kWh Sold+kWh Station Service))/ kWh Generated | | | |

Calculation of Weighted Average Price per Gallon:

| | | | | | |
|-----------|--------|---|--------|--------------|----------|
| On Hand: | 33,737 | x | 4.7799 | \$161,258.65 | Weighted |
| Delivered | 11,009 | x | 6.3785 | \$70,221.07 | AVG Cost |
| TOTAL | 44,746 | | | \$231,479.72 | \$5.1732 |

CALCULATION OF AVERAGE CLASS RATE PER kWh

Rate Schedule: **Residential**

| (1) Block (by kWh) | (2) Rate (\$/kWh) | (3) Surcharge (\$/kWh) | (4) Total (\$/kWh) (2+3) | (5) Total \$ (1x4) | (6) Avg. (\$/kWh) (5)/(1) | (7) Avg. Rate (\$/kWh) - \$ 0.1958 |
|--------------------------|-------------------------|------------------------------|-----------------------------------|-----------------------------|------------------------------------|---|
| 0 to 750 | 0.6250 | 0.0000 | 0.6250 | 468.7500 | | |
| 751 to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| Max 750 | | | Total | 468.7500 | 0.6250 | 0.4292 |

Rate Schedule: **Community Facility**

| (1) Block (by kWh) | (2) Rate (\$/kWh) | (3) Surcharge (\$/kWh) | (4) Total (\$/kWh) (2+3) | (5) Total \$ (1x4) | (6) Avg. (\$/kWh) (5)/(1) | (7) Avg. Rate (\$/kWh) - \$ 0.1958 |
|--------------------------|-------------------------|------------------------------|-----------------------------------|-----------------------------|------------------------------------|---|
| 0 to | 0.6250 | 0.0000 | 0.6250 | 468.7500 | | |
| to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| Max 750 | | | Total | 468.7500 | 0.6250 | 0.4292 |

Rate Schedule:

| (1) Block (by kWh) | (2) Rate (\$/kWh) | (3) Surcharge (\$/kWh) | (4) Total (\$/kWh) (2+3) | (5) Total \$ (1x4) | (6) Avg. (\$/kWh) (5)/(1) | (7) Avg. Rate (\$/kWh) - \$ 0.1958 |
|--------------------------|-------------------------|------------------------------|-----------------------------------|-----------------------------|------------------------------------|---|
| 0 to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| Max 500 | | | Total | | | |

Rate Schedule:

| (1) Block (by kWh) | (2) Rate (\$/kWh) | (3) Surcharge (\$/kWh) | (4) Total (\$/kWh) (2+3) | (5) Total \$ (1x4) | (6) Avg. (\$/kWh) (5)/(1) | (7) Avg. Rate (\$/kWh) - \$ 0.1958 |
|--------------------------|-------------------------|------------------------------|-----------------------------------|-----------------------------|------------------------------------|---|
| 0 to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| to | | | | | | |
| 500 | | | Total | | | |

Atka, City of
Fuel Purchases

| | Delivery Date | Gallons | Cost per Gallon | Delivery/ Mark-Up per Gallon | Total Cost |
|--|---------------|---------------|-----------------|------------------------------|----------------|
| Beginning Fuel Inventory | | 33,737 | | | |
| Last Approved Fuel Cost/Gal. | | | \$ 4.7799 | | |
| Beginning Fuel Inventory in Gallons X Last Approved Fuel Cost/Gal. = Beginning Fuel Inventory Cost ----> | | | | | \$ 161,259 |
| Reporting Period Purchases | 04/26/21 | 5,002 | 5.0305 | | 25,163 |
| | 05/10/22 | 6,007 | 7.5010 | | 45,059 |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| Totals for Reporting Period Purchases on this sheet: | | 11,009 | | | 70,221 |
| Grand Totals (beginning inventory plus purchases) | | <u>44,746</u> | | B \$ | <u>231,480</u> |

Grand Total Cost divided by Grand Total Gallons = 5.1732 Weighted Avg. Cost per gallon
Purchase Total Cost divided by Purchase Total Gallons = 6.3785 Cost Per Gallon

Atka, City of

TREND ANALYSIS

Personnel Expenses

Total Wages

Employer Portion of Payroll Taxes

Workers Compensation Insurance

Other

Total Employer Paid Taxes

Total Personnel Expenses

Operating Expenses

Generator Oil

Generator Filters

Generator Repair / Maintenance

Tools

Equipment Rental

Other: (See Schedule A)

Total Operating Expenses

General and Administrative

Outside Professional Services:

Insurance

Office Supplies

Office Rent & Fees

Travel/Education

Telephone/ Postage/ Misc.

Other: Postage

RCA Fees

Other: (See Schedule A)

Total General and Administrative

Other:

Interest Expense

Interest Income

Depreciation Expense

TOTAL

Total kWh Generated

Diesel Generated

Hydro Generated

kWh Sold

Gallons Consumed

Station Service

Efficiency

Line Loss

| | 2016 | | 2022 | | | |
|--|------------------|----------------|----------|-----------|-------------------|------------------|
| | Amended Expenses | Utility Filing | Variance | | Staff Adjustments | Amended Expenses |
| | | | \$ | % | | |
| | | | | | | |
| | 44,151 | 55,925 | 11,774 | 26.67% | 0 | 55,925 |
| | | | | | | |
| | 7,726 | 4,944 | (2,782) | (36.01%) | | 4,944 |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 7,726 | 4,944 | (2,782) | (36.01%) | 0 | 4,944 |
| | | | | | | |
| | 51,877 | 60,869 | 8,992 | 17.33% | 0 | 60,869 |
| | | | | | | |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 0 | 9,610 | 9,610 | 100.00% | (25) | 9,585 |
| | 1,834 | 15,927 | 14,093 | 768.43% | (12,896) | 3,031 |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 0 | 5,968 | 5,968 | 100.00% | (5,296) | 672 |
| | 1,834 | 31,505 | 29,671 | 1617.83% | (18,217) | 13,288 |
| | | | | | | |
| | 0 | 20,803 | 20,803 | 100.00% | (20,803) | 0 |
| | 14,317 | 11,387 | (2,930) | (20.47%) | | 11,387 |
| | 500 | 1,258 | 758 | 151.60% | | 1,258 |
| | 0 | 4,786 | 4,786 | 100.00% | | 4,786 |
| | 0 | 0 | 0 | 0.00% | | 0 |
| | 2,228 | 1,743 | (485) | (21.77%) | | 1,743 |
| | 47 | 0 | (47) | (100.00%) | | 0 |
| | 39 | 0 | (39) | (100.00%) | | 0 |
| | 50 | 7,040 | 6,990 | 13980% | (4,786) | 2,254 |
| | 17,181 | 47,017 | 29,836 | 173.66% | (25,589) | 21,428 |
| | | | | | | |
| | 0 | 0 | 0 | 0.00% | 0 | 0 |
| | | | | | | |
| | 15,735 | 22,887 | 7,152 | 45.45% | 3,702 | 26,589 |
| | | | | | | |
| | 0 | 0 | 0 | 0.00% | 0 | 0 |
| | | | | | | |
| | 34,895 | 28,956 | (5,939) | (17.02%) | 308 | 29,264 |
| | | | | | | |
| | 121,522 | 191,234 | 69,712 | 57.37% | (39,796) | 151,438 |
| | | | | | | |
| | 482,639 | 442,536 | (40,103) | (8.31%) | 0 | 442,536 |
| | 95,505 | 60,836 | (34,669) | (36.30%) | 0 | 60,836 |
| | 387,134 | 381,700 | (5,434) | (1.40%) | 0 | 381,700 |
| | 396,226 | 336,480 | (59,746) | (15.08%) | 10,066 | 346,546 |
| | 10,533 | 7,423 | (3,110) | (29.53%) | (262) | 7,161 |
| | 45,421 | 42,864 | (2,557) | (5.63%) | 0 | 42,864 |
| | 9.07 | 8.20 | (0.87) | (9.61%) | 0.3 | 8.50 |
| | 8.49% | 14.28% | 5.79% | 68.13% | (2.28%) | 12.00% |

Atka, City of

Schedule of Depreciation and Amortization FOR TEST YEAR ENDING: June 30, 2022

| Depreciation | | | | Accum | Book | | Accum | Book |
|--|-----------------------------------|----------------|-------------|-------------------------|----------------------------|------------------------------|--------------------------|----------------------------|
| <u>Asset</u> | <u>Date placed in service</u> | <u>Cost</u> | <u>Life</u> | <u>Dep 06/30/21</u> | <u>Value 6/30/2021</u> | <u>2022 Depreciation</u> | <u>Dep 6/30/2022</u> | <u>Value 6/30/2022</u> |
| Transformer | 2008 | 6,159 | 20 | 4,003 | 2,156 | 308 | 4,311 | 1,848 |
| Transformer | 2009 | 14,000 | 20 | 8,400 | 5,600 | 700 | 9,100 | 4,900 |
| Electrical Repairs | 2009 | 13,703 | 20 | 8,222 | 5,481 | 685 | 8,907 | 8,907 |
| Chuniixsax Creek Hydro-Electric Project* | 2013 | 800,000 | 30 | 213,333 | 586,667 | 26,667 | 240,000 | 560,000 |
| Diesel Switchgear & Controls | 2015 | 18,077 | 20 | 5,423 | 12,654 | 904 | 6,327 | 11,750 |
| Total | | <u>851,939</u> | | <u>239,382</u> | <u>612,557</u> | <u>29,264</u> | <u>268,645</u> | <u>587,405</u> |

Per Utility: 28,956

*This is the non-grant funded portion

Staff Recommended Adjustment: \$ 308

Signature: Keith Kurber II
Keith Kurber II (Apr 20, 2023 12:29 AKDT)

Email: keith.kurber@alaska.gov

Signature: Bob Doyle
Bob Doyle (Apr 20, 2023 12:30 AKDT)

Email: bob.doyle@alaska.gov

Signature: Bob Pickett
Bob Pickett (Apr 21, 2023 05:35 AKDT)

Email: bob.pickett@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Apr 21, 2023 07:48 AKDT)

Email: janis.wilson@alaska.gov